THE POLICE, FIRE AND CRIME COMMISSIONER FOR NORTH YORKSHIRE AND THE CHIEF CONSTABLE OF NORTH YORKSHIRE

Key Financial Controls: Accounts Receivable

Internal audit report 7.23/24

FINAL

19 March 2024

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1. EXECUTIVE SUMMARY

Why we completed this audit and background

We have undertaken a review of the Force's accounts receivable process to allow the Force to take assurance that there is a robust and effective framework in place to collect income due and manage outstanding debt. As part of our audit, we have considered the process to raise invoices and credit notes, how outstanding debt is chased and managed, and how bad debt is identified and written off. Our review has also examined the Devolved Resource Management (DRM) Manual and other supporting documentation to understand how processes and procedures have been documented and communicated to the wider business.

The Force’s Accounts Team manage the accounts receivable process for both the Force and the Office of the Police and Fire Crime Commissioner (OPFCC), including the raising of invoices and credit notes. Where we refer to the Force within this report, we are not specifying between either the Chief Constable or OPFCC. As per the Force's debtors overdue report for February 2024, the Force has £1,164,128 in outstanding debt, though this does include debt that is not yet due. Of this debt, £8,627 is more than 365 days old. Whilst the Force does not rely on this income (which is instead provided through funding by the PFCC), this is still a significant amount and highlights the importance of ensuring the accounts receivable process is effective and controls are working as intended.

The Force uses a ‘form 52’ to identify invoices and credit notes to be raised, which is required to be approved by an appropriate individual as per the Force's scheme of authorisation. Form 52s are submitted either electronically (via the Force's intranet SharePoint page) or manually via email, with invoices mostly processed via electronic forms and all credit notes processed via a manual form. Once completed and approved, the form 52 is processed by the Accounts Team who raise the relevant invoice or credit note to the debtor.

The Force's debt recovery process is primarily managed by the Accounts Team (led by the Accounts Payable Manager who joined the Force in September 2023), though the Civil Disclosure Unit (CDU) undertakes their own debt chasing process with assistance from Accounts. As per the DRM Manual, after 30 days of the debt exceeding its due date, a letter or email is sent to the debtor informing them of the debt and requesting payment. A further 14 days later, a second letter or email is sent with a final demand, followed by a third letter or email sent after a further seven days. All three attempts at contact and debt recovery are required to be retained by the Force within the Oracle system.

Whilst our audit has considered the DRM Manual, it should be noted that previous audits have also reviewed the DRM Manual, resulting in management actions being agreed in relation to the updating of the Manual that are currently outstanding at the time of this audit. We have only considered any accounts receivable processes documented within the DRM Manual as part of this review.

Conclusion

The Force has adequate processes in place to ensure that accurate invoices and credit notes are raised based on budget holder request. Our testing identified no issues in the accuracy of the form 52 compared with the invoices and credit notes raised on the system. Monthly reconciliations are undertaken and reviewed by the Accounts Team, and we noted no discrepancies during a review of a three-month sample, with all three signed and dated. The Accounts Payable Manager has made improvements to the debt management processes, using a monthly report to monitor debt chasing and the value of aged debt (over 365 days) is minimal (circa £8,000) at the time of the review, although the debt chasing process did not align to that described within the DRM Manual. To support this, a payment plan process is in place with monthly checks undertaken by the Accounts Team to confirm compliance with the plan.

However, we have identified that the procedures in the DRM Manual are not up to date for the accounts receivable processes and do not reflect current processes used by the Force. In addition, we identified that some authorisers of form 52s are not listed on the scheme of authorisation for the correct cost centre or value, and the Force could improve the timeliness of form 52 completion.

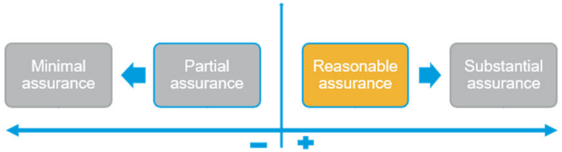
Based on the testing undertaken and completed as part of this audit, we have agreed **five medium** and **six low** priority management actions. We have also made **one suggestion** relating to the review of reconciliations within a timely manner after completion.

The one medium priority action in relation to the DRM Manual has not impacted our opinion as we have already identified this issue in other audits (ie that the DRM Manual requires updating). Although we have identified several areas of non-compliance with controls, we have considered these findings to be of relatively low priority for the Force, given the low volume of bad debt and average value of invoices raised. We have noted areas for improvement, but have not identified any fundamental weaknesses in the design of controls, and are therefore content to issue a positive opinion.

Internal audit opinion:

Taking account of the issues identified, the Police, Fire and Crime Commissioner for North Yorkshire and the Chief Constable of North Yorkshire can take **reasonable assurance** that the controls upon which the organisations rely to manage this area are suitably designed, consistently applied and effective.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified area.



Key findings

We identified the following exceptions resulting in five medium priority management actions being agreed:

DRM Manual

The Force's DRM Manual contains a section covering parts of the accounts receivable process such as raising invoices and debt chasing; however, this is not in-depth, does not align to the actual processes undertaken by the Force and was last reviewed in June 2014. Reference to the write off process is only contained twice within the DRM Manual but it is not clear which process should be used or whether they are even applicable to general debt owed to the Force. If the DRM Manual is not up to date and reflects current processes, there is a risk that income is not correctly collected and debts are not appropriately chased, resulting in a loss of income for the Force. **(Medium)**

Process notes

Whilst the Force has a series of process notes covering the accounts receivable process (such as processing form 52s and writing off bad debt within the Oracle finance system), the documents do not have version control and as such we have been unable to confirm when they were created or last reviewed. Whilst the process notes contain a step-by-step guide for staff, certain key steps are absent, such as the process for verifying the approvers for form 52s.

If process notes for key procedures are not in place or are unclear, there is a risk that a consistent approach for accounts receivables is not in place and could cause confusion or disruption, resulting in loss of income for the Force. **(Medium)**

Form 52 approval

Form 52s are required to be approved according to the scheme of authorisation. Our sample testing of form 52s for invoices and credit notes identified 10 discrepancies (five for invoices and five for credit notes) where the form 52 had not been approved directly in-line with the scheme of delegation. If staff are approving form 52s where they are not authorised to do so, there is a risk that invoices and credit notes are being raised incorrectly and not within agreed approval limits. **(Medium)**

Form 52 timeliness

The Force does not have a timeframe for processing and completing form 52 documents. For 20 invoices, we identified four form 52s were not approved within seven days of the submission, and one instance where the invoice was raised nine days after the form 52 was approved. For 20 credit notes, we noted only four form 52s were created, approved and processed within seven days. A further form 52 for a credit note was not dated and we are therefore unable to provide assurance on this. If a form 52 is not raised and approved in a timely manner and a credit note or invoice also raised in a timely manner, there is a risk that the Force’s credit control process is not operating effectively, and this could result in inaccurate financial accounts or loss of income. **(Medium)**

Debt recovery

Debt chasing is required to be completed at the agreed frequency within the DRM Manual and evidence of this retained on the Oracle finance system. From a sample of 10 outstanding debts (totalling £47,675), we identified nine instances where debt had not been chased at the frequency stated within the DRM Manual. Of the nine discrepancies, we noted three instances where no evidence was on file of debt chasing. Whilst debt has not been chased in line with the process stated within the DRM Manual, the Accounts Payable Manager has introduced greater monitoring to confirm all outstanding debt is being chased at least once per month. If debt chasing is not monitored and undertaken in a timely manner, there is a risk that income due to the Force will become more difficult (or even impossible) to recover, resulting in financial loss. **(Medium)**

For details of the six low priority management actions, please see section two of this report.

Our audit identified the following controls are suitably designed, consistently applied, and are operating effectively:

For a sample of 20 invoices and 20 credit notes, we confirmed a completed form 52 was on file and the corresponding invoice or credit note matched the details (such as purpose and cost) included on the form.

Where appropriate, payment plans are agreed with debtors to ensure that the Force receives income due. A payment plan tracking spreadsheet is in place and managed and updated by the Accounts Team each month. On the debtors overdue report we noted that there were six individuals or organisations listed as being on a payment plan.

We reconciled all six individuals on the debtors overdue report against the payment plan tracking spreadsheet and confirmed all six have a documented payment plan record and the debt they owe matches the amount on the debtors overdue report. In all six cases, we confirmed monthly checks have been performed by the Accounts Team and their initials and date of check were clearly recorded.

Accounts receivable control account reconciliations are undertaken on a monthly basis by the Accounting Technician and reviewed by the Accounts Payable Manager. We confirmed reconciliations for October, November and December 2023 are in place and have been signed and dated by the Accounting Technician and Accounts Payable Manager.

2. DETAILED FINDINGS AND ACTIONS

This report has been prepared by exception Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Area: DRM Manual				
Control	The Force has a DRM Manual in place covering, amongst other areas, the management of income received and the management of debt. The DRM Manual was approved in 2022 by the Chief Finance Officer (Chief Constable) and is available to staff on the Force intranet.		**Assessment:** **Design** ✓ **Compliance** ×	
Findings / Implications	We confirmed that a DRM Manual is in place and available on the intranet to all staff. We verified that the DRM Manual sets out the process for raising invoices, writing off debt, reporting arrangements and reconciliations. Upon review of the DRM Manual, we noted that chapter 18 of the DRM (covering the customer invoice process primarily reviewed during this audit) was last reviewed in June 2014 (almost 10 years ago). It should be noted that a review of the DRM was identified as an issue in the Accounts Payable (9. 22/23), Fleet Management (6.22/23) and CIPFA Code of Practice (4. 21/22) audits. The Chief Finance Officer (Chief Constable) confirmed that a full review of the DRM Manual (including those areas relating to accounts receivable) will be undertaken by the Force. The Chief Finance Officer (OPFCC) also indicated that they would like a review focusing on the DRM Manual included in the 2024/25 internal audit plan. Whilst we confirmed the DRM sets out the customer invoice process, we did note that some processes set out do not seem to reconcile with the actual procedures undertaken by the Force. For example, the DRM Manual specifies that debt recovery procedures (chapter 18) are undertaken by the Accounts Department. However, the Accounts Payable Manager confirmed that other areas within the Force (such as the Civil Disclosure Unit) undertake their own debt chasing process. This was verified during discussion with the Team Leader (Civil Disclosure). Similar to the above discrepancy, we noted two references to debt write off within the DRM Manual, though it is not fully clear which process should be undertaken or whether they are applicable to the Force. Both references are located within the regional financial instructions and it is therefore not clear whether this is only applicable to the Regional Programme Team, North Yorkshire Police or both. Other than these references, we identified no other information regarding debt write off within the DRM Manual. During discussion with the Accounts Payable Manager and our testing of the write off process, it was noted that a separate write-off procedure is used instead. In line with the scope of this audit, we have raised a management action for the accounts receivable elements of the DRM Manual to be reviewed. Whilst there are outstanding management actions from prior RSM audits relating to other areas of the DRM Manual, the action raised during this audit will only cover accounts receivable processes. If the DRM Manual is not updated and does not reflect current processes for accounts receivable (including debt chasing and write off), there is a risk that debts are not chased in line with approved procedures, which could result in a loss of income if unauthorised processes are followed.			
Management Action 1	Sections within the DRM Manual covering accounts receivable processes (such as debt chasing and write offs) will be reviewed and updated to ensure they accurately reflect agreed procedures. The updated sections will be communicated to relevant staff members and made available on the Force's intranet. As a minimum, a stance on the write off process should be created and documented within either the DRM Manual or a process document.	**Responsible Owner:** Senior Finance Manager	**Date:** 31 March 2025	**Priority:** Medium

Area: Procedures				
Control	The Force has process notes for all accounts receivable procedures including raising invoices, managing debt and writing off bad debt. Process notes are available on Oracle, the Force's finance system.		**Assessment:** **Design** ✓ **Compliance** ×	
Findings / Implications	The Accounts Payable Manager confirmed that the Force has a series of process notes to assist them with the accounts receivable procedure. We reviewed the process notes and confirmed these provide guidance to members of the Accounts Team tasked with actioning form 52s (both electronic and manual versions), as well as the process for writing off bad debt. However, we noted that these documents do not include the process for other key procedures, such as, debt chasing and managing aged debt. Form 52s are used to process invoice and credit note requests and are processed either through a SharePoint form (electronically) or via a Microsoft Excel document (manual). Testing of form 52s have been undertaken during this audit and can be seen in controls below. From review of the three procedure notes provided (one for manual form 52s, one for electronic form 52s and one for writing off bad debt), we noted that no dates are recorded within the process notes and we are therefore unable to confirm whether these documents were created recently, or whether they have been reviewed recently. Furthermore, whilst the process notes provide a step by step guide to staff, we noted that key steps such as the process for verifying the approver for both the form 52 and the write-off process, was not documented. Within the write off process note, we did identify that there is reference to setting up approval limits within Oracle. However, it is not clear whether this is approval for writing off debt within Oracle or whether this focuses on writing off the debt in general. If this is the process for setting up the write off process within Oracle, a more robust and clear procedure should be established and consideration should also be made as to whether the approval process for these limits should be strengthened. We also noted that this process contains reference to the Service Finance Manager, a position that does not seem to be in place though may have been incorrectly recorded instead of the Senior Finance Manager. If process notes for key procedures are not in place or are unclear, there is a risk that a consistent approach is not undertaken by staff, and this could cause confusion and disruption. Furthermore, there is a risk of financial loss if vital processes (such as debt chasing and debt write off) are not clearly recorded and available to staff.			
Management Action 2	Alongside the review of the DRM Manual, the Accounts Team will consider creating process notes for key procedures such as debt chasing, debt write off (in particular how debt should be written off on Oracle) and raising credit notes and invoices. Version control for the process notes will be included to ensure regular review is undertaken and the notes are accurate and up to date.	**Responsible Owner:** Accounts Payable Manager	**Date:** 31 July 2024	**Priority:** Medium

Area: Identifying income due			
Control	A debtor invoice request form (form 52) is required to be completed by the budget holder or a member within their team within 30 days of work, goods, or services being delivered, and submitted to the Finance Team. As part of the form 52 submission, a breakdown of services or costs must be included. Budget holders are responsible for ensuring all income is submitted on a form 52 to the Finance Team. The Finance Team has a spreadsheet tracker to review all income received and whether a corresponding form 52 is on file.	**Assessment:** **Design** **Compliance**	 ✓ ×
Findings / Implications	The Accounts Payable Manager confirmed that whilst individual business areas are required to submit a form 52 when goods or services have been provided, if a form is not submitted, the Force's Accounts Team would be unaware of any income that is due. It is the responsibility of the budget area and the budget holder for each area to ensure that a form 52 is completed. Each business area is supported by an assigned Accountant who sit within the Finance Team to support in this process. The Accounts Team therefore have no oversight or awareness if income due was not appropriately invoiced. We queried how each of the Accountants manage income due for their relevant areas, and how they ensure that a form 52 is submitted for any work completed. The Senior Finance Manager confirmed that all income is identified through the Force's monthly management accounts and variance analysis undertaken by the Accountant for each business area. For a sample of 20 invoices, we confirmed a form 52 is on file in all 20 instances. During our sample of 20 invoices, we noted that there were two clear instances where the form 52 was created more than 30 days after the services or activity had been completed. For example, one sample related to policing services provided to York Racecourse over a series of days in 2023, the last date being 14 October. However, the form 52 was not created until 22 November 2023 and the invoice not raised until 27 November 2023, both more than 30 days after the services provided. For another sample, we noted that this was a grant claim for the 2022/2023 financial year, but the form 52 and invoice were not raised until November 2023. The Senior Finance Manager noted that whilst form 52s should be created and raised within the 30 days, this is often not possible given staffing and resource limitations. If a form 52 is not raised within 30 days of the Force providing services resulting in income, there is a risk that the Force's DRM Manual is not being adhered to and income could be more difficult to recover or even unrecoverable.		

Management Action 3	Staff will be reminded that a form 52 must be completed and approved within 30 days of chargeable services provided.	**Responsible Owner:** Senior Finance Manager	**Date:** 31 March 2024	**Priority:** Low

Area: Invoice approval				
Control	Form 52s have to be authorised by an individual with a suitable approval threshold as per the Force's scheme of authorisation. Once received, details within the form 52 are input onto the Oracle finance system, approval is reviewed by the Finance Team, and an invoice sent to the debtor.		**Assessment:** **Design** **Compliance**	 ✓ ×
Findings / Implications	Using our sample of 20 invoices, we confirmed a form 52 was on file in all instances. Of the 20, we identified three instances in which the approver of the form 52 was on the scheme of authorisation for the relevant cost centre; however, the invoice value was larger than their limit. Of the three discrepancies: • one sample was for a payment valued at £28,861 but had been approved by an individual that could only authorise up to £25,000; • another sample was for a payment valued at £204,021 but had been approved by an individual that could authorise up to £200,000; and • in our final sample, the payment was valued at £26,442 but had been approved by an individual with an authorisation limit of £20,000. However, in a further two cases from our sample of 20, we noted that the approvers were not present on the scheme of authorisation. In one of these cases, the individual that had approved the form 52 was a former employee, and as the scheme of authorisation is a live document, this had been updated. The current individual in the role is present on the scheme of authorisation and could authorise the value of the invoice. The second approver was not present, and had authorised an invoice for £10,250. There is no rationale as to why this would be the case. If individuals are approving a form 52 where they are not authorised to do so, there is a risk that the Force are billing organisations inappropriately, which could lead to reputational damage or financial loss.			
Management Action 4	We will review all form 52 approvers to verify they are authorised to do so (given the value and cost centre). Where an approver is not on the scheme of authorisation, the form 52 will either be rejected or the scheme of authorisation reviewed to determine whether the approver is appropriate to be added as an authorised individual. This includes form 52s for both invoices and credit notes.	**Responsible Owner:** Accounts Payable Manager	**Date:** 31 March 2024	**Priority:** **Medium**

Area: Invoice timeliness				
Control	**Partially missing control** The Force does not have an established timeframe for raising invoices once a form 52 is received. Form 52s must be approved and invoices raised as soon as possible once received.		**Assessment:** **Design** **Compliance**	 × -
Findings / Implications	For the sample of 20 invoices, we reviewed either the version history within the Oracle system (for electronic form 52s) or the email trail (for manual form 52s) to confirm that the form has been created, approved and the invoice raised within a timely manner. As the Force does not have an established timeframe for raising invoices once a form 52 is received, we have used seven days. • 16 of the 20 samples were approved within seven days (with one being slightly longer over the Christmas period) of the form being submitted, therefore no issues were noted. The invoices for the remaining three forms were raised after 12, 13, 25 and 79 days. We understand that the invoice raised at the 79 day timescale was due to a system issue. • We then compared the date of approval to the date of the invoice being processed by the Accounts Team. 15 were processed within three days. Of the remaining samples, three invoices were raised within four days, one within six days, and one within nine days. If form 52s and invoices are not completed and processed in a timely manner, there is a risk that income due may become more difficult to recover, and result in lost income.			
Management Action 5	A timeframe will be agreed after which outstanding electronic form 52s will be chased by the Accounts Team. This chase-up will include the requirement for the form 52 to be actioned within the next seven days. To facilitate these processes, all form 52s will be required to record the date the form was completed, and the Accounts Team will refuse any form that is not dated.	**Responsible Owner:** Senior Finance Manager Accounts Payable Manager	**Date:** 31 March 2024	**Priority:** **Medium**

Area: Regular income				
Control	All regular income is processed in the same manner as one-off income through the use of a form 52. Staff and officers must re-submit the form 52 each time income is due. **Partially missing control -** The Force does not have a central process to identify regular income and ensure invoices are raised in a timely manner and a consistent basis.		**Assessment:** **Design** **Compliance**	 × -
Findings / Implications	The Accounts Payable Manager confirmed that regular and recurring income is treated the same as one-off income and requires a form 52 to be completed. Through review of the DRM Manual, we noted that the process for managing recurring income is included and is expected to be processed in the same manner as one-off income. Given this is the case, the Accounts Team do not have any method to identify regular or recurring income. Upon review of the invoices raised by the Force in the 2023/24 financial year, we noted several individuals or organisations that were regularly invoiced and were paying the Force. These include UK Road Offender Education (UKROED Limited) that were invoiced every month from April 2023 to January 2024 (though the value differed each month), AA Supplier Network who were invoiced each month for the same amount (£7,584) between May 2023 and January 2024 and ADT Fire and Security that were invoiced multiple times each month (for a total of 25 times) between April 2023 and January 2024. From undertaking accounts receivable audits at other organisations, we note that the use of a debtors schedule would allow the Force to ensure that regular invoices are raised, and in a timely manner. As well as this, a debtors schedule allows for greater business continuity in the event that an Accountant is unavailable and unable to manage income due. The Accounts Payable Manager confirmed that through discussion with several of the Force's Accountants, no debtor schedules are used by them to monitor regular income that is due. Given the structure of the Force, it may be more appropriate for the creation and maintenance of a debtors schedule to be maintained by the Accountant for each business area, rather than the Accounts Team. This would ensure that regular income is invoiced consistently, and in a timely manner. If a debtors schedule is not maintained, there is a risk that income due (particularly regular income), may not be invoiced in a timely manner (or at all), and could result in lost income.			
Management Action 6	The Force will consider how best to manage and monitor regular income due, and ensure that a process is implemented to address this. This could be in the form of a debtors schedule maintained by either Accounts, or Accountants for each business area. Accountants will be reminded of the requirement to discuss with budget holders to ensure all potential income is invoiced and they are tracking any ad-hoc income.	**Responsible Owner:** Senior Finance Manager	**Date:** 31 March 2024	**Priority:** Low

Area: Credit note approval and timeliness			
Control	Credit notes are processed in the same manner as invoice requests but must use red ink rather than black on the form 52. Credit notes may also be processed via a data loader if multiple credit notes are to be raised for a similar purpose (bulk). Credit notes are approved using the scheme of authorisation and the relevant cost centre. Credit notes are scrutinised by the Finance Team to determine whether appropriate.	**Assessment:** **Design** **Compliance**	 ✓ ×

Findings / Implications	From a sample of 20 credit notes, 11 samples were pertained on a 'red ink' form 52, and the remaining nine related to data loaders. All key details (such as the cost centre, reason for credit note and value) matched the credit note itself and evidence of approval was on file.
	However, in 15 cases, the approver was appropriately listed on the scheme of authorisation (value and cost centre), whereas in two cases we were unable to identify the approver on the scheme of authorisation for the relevant cost centre. In the final three cases, these related to credit notes approved by the Chief Finance Officer (PFCC), who was not documented on the scheme of authorisation against the relevant cost centre. Whilst the authority to approve these credit notes is appropriate given the role, this should be clearly reflected on the scheme of authorisation. (See management action four).
	As is the case with invoices, there is not an established timeframe for approving the form 52 or raising the credit note. Using a seven day timeframe, between the date of the form 52 being created and date of the credit note raised, we noted:
	• 16 were raised outside of this timeframe from the date of form 52 creation.
	    ○ Nine related to credit notes for schools, eight of which were raised 41 days after the form 52 was set up and one was raised 148 days after. We understand this was due to a delay in approval of the form 52, but it was unclear why the credit note raised at 148 days was not included in the initial data loader.
	    ○ Six of the remaining seven were raised between eight and 24 days, but we have not been able to confirm the actual dates of approval due to staff absences and due to being on manual forms. For the remaining credit note, the date of the form 52 was not documented, therefore it was unclear when this was initially created. (See management action five).
	We also noted that form 52s are used for raising both invoices and credit notes. Electronic form 52s are be used for invoices (the Accounts Payable Manager confirmed that the majority are submitted this way) and manual form 52s are used for credit notes, though invoices can still be raised using a manual form. When submitting a manual form 52, red ink is used for credit notes and black ink used for invoices; however, this requirement is not particularly clear and is not included on the form 52 itself.
	Furthermore, the form 52 is called a 'debtors invoice request form' on the template, even if the form is used for a credit note, which could lead to confusion and there is a risk invoices or credit notes could be processed incorrectly. We would recommend the Force reviews this process.		

Management Action 7	The form 52 template should be updated to clearly record whether the request is for an invoice or credit note. The form should also be updated to record the requirement for red and black ink for credit notes and invoices.	**Responsible Owner:** Accounts Payable Manager	**Date:** 31 March 2024	**Priority:** Low

Area: Debt recovery		
Control	The Civil Disclosure Unit (CDU) chases their own debt, with all other Force debt chased by the Finance Team. The Force has a set of three letter templates used to escalate warnings to those not paying. Evidence of debt chasing is stored on Oracle under the debt itself.	**Assessment:** **Design** ✓ **Compliance** ×
Findings / Implications	**CDU Debt** We spoke with the Team Leader (Civil Disclosure) who manages the debt collection process within the CDU to understand what debt they chase up and why. The Team Leader confirmed that the CDU's debt primarily relates to reports requested by the public, solicitors or organisations, for court order disclosures and other civil disclosures. From review of a central tracking document of the CDU's debt, we noted 85 debts are recorded on the tracking log, including 16 marked as 'not due' (as the debt is less than 30 days old). For the remaining 69 debts, we noted that 67 were outstanding (two had recently been paid) but had not been chased in line with the agreed debt chasing process within the DRM Manual. The days outstanding for these debts ranged from 37 days to 1,312 days. The Team Leader noted that the CDU has recently introduced an approach whereby information and documentation will not be released until payment has been made. In turn, this should reduce the debt owed to the CDU as customers are more likely to pay in order to receive the requested reports. The Team Leader explained that whilst the CDU is currently responsible for chasing up their own debts, there are difficulties in this as there is only one individual assigned to chasing these (an Admin Assistant), and they are part time with other responsibilities. As such, only a limited number of debt chasers are sent on a weekly basis. Furthermore, the Accounts Team provide the CDU with a monthly report covering their outstanding debt, though the CDU currently has no way to confirm a debt has been paid other than these reports (or contacting Accounts directly). As such, this results in a partial duplication of work and could result in inefficiencies when identifying and chasing outstanding debt. Given this, consideration should be made about the best approach to chasing CDU debt and whether this should sit with CDU themselves or Accounts. If a review to determine whether CDU debt chasing should be the responsibility of Accounts or the CDU is not undertaken, there is a risk that income due is not efficiently chased or recovered and could result in lost income for the Force. **All other debt** During a review of 10 outstanding debts that are chased by the Accounts Team, we noted that debt chasing has historically not been completed consistently, or in a timely manner. It was also noted that until recently, priority had been assigned to those debts of larger value, resulting in debts for small amounts (such as those less than £100), often seeing no debt recovery work undertaken. The Accounts Payable Manager confirmed that this process has been updated, and now all debt over £1 must be chased. Of our 10 samples (total outstanding value of £37,675), we identified nine instances where debts had not been chased according to the process within the DRM Manual (sending three letters at three separate stages). Of the nine debts, we noted three instances where evidence of the debt chasing was not on file and we have therefore not been able to provide assurance that these have been fully chased up.	

Area: Debt recovery				
	However, for all nine debts, we confirmed that the debt should have been chased earlier, though the extent of this delay varied (from a few weeks to half a year). For the remaining debt, we confirmed that evidence of debt chasing is on file (via email and through phone calls) and no discrepancy was identified. We queried the numerous delays in debt recovery for the samples selected and the Accounts Payable Manager confirmed that since joining the Force in September 2023, they have continued to track all outstanding debt and now require those chasing the debt to update a central tracking report. This is reviewed monthly to confirm recovery work has been undertaken, and we have verified that all outstanding debts, other than one debt which was chased in December 2023 (valued at £16,768), have been marked as chased either in January or February 2024. From review of the tracking report and our sample testing, it is clear that all debts are being chased more consistently than in previous years, although we have agreed a management action with regards to debt recovery to ensure that the new monitoring process is fully embedded and debt is being chased in line with the DRM Manual. If debt chasing is not monitored and undertaken in a timely manner, there is a risk that income due to the Force will become more difficult (or even impossible) to recover, resulting in financial loss.			
Management Action 8	The Force will review the best approach to debt chasing and whether this should be undertaken by one team (such as by Accounts).	**Responsible Owner:** Accounts Payable Manager	**Date:** 31 July 2024	**Priority:** **Low**
Management Action 9	Debt chasing should be undertaken in line with the process documented in the DRM Manual, and this should be supported by the updated monitoring process implemented by the Accounts Payable Manager. Evidence of debt chasing should be stored within the finance system to ensure a clear audit trail is in place.	**Responsible Owner:** Accounts Payable Manager	**Date:** 31 July 2024	**Priority:** **Medium**

Area: Debt write-off				
Control	The Force writes off debt at year-end. Bad debt is written off by the Force's Finance Team in line with the scheme of authorisation. **Partially missing control -** The Force's DRM Manual does not clearly set out the process for identifying and approving debt to be written off.		**Assessment:** **Design** **Compliance**	 × -
Findings / Implications	The Accounts Payable Manager confirmed that other than debt chased by the CDU, no write offs have occurred during the current financial year (2023/24). We requested evidence of the debt chased by the CDU being written off and confirmed that it totalled £1,016 and contained debt from 2020, 2021 and January 2022 to June 2022. We noted that all debt was valued at less than £100, with the average being £37.64 and the highest being £74. An email trail was provided containing confirmation from the Deputy Force Solicitor and Director of Evolve that they authorised the write off as well as rationale for why the debt should be written off. We confirmed that as per the Force's scheme of authorisation, the Deputy Force Solicitor can approve up to £50,000 of debt within the CDU. We confirmed that the rationale provided by the Team Leader (Civil Disclosure) was that all debt was aged, low value and unlikely to be recoverable without litigation. Given the low value of all the debts, the Team Leader also clarified that the admin costs required to recoup these debts would exceed the payment required. Whilst a process is in place to receive approval for debt write off, we noted that this is not clearly recorded and documented within the DRM Manual. More detailed testing of this can be seen in the first control covering the DRM. The Senior Finance Manager confirmed that debt is written off on an annual basis at year-end though we noted no reference to this within the DRM Manual, nor did we locate reference to identifying bad debt that should be considered for write off. The Accounts Payable Manager confirmed that the Force is planning to write off debt prior to the end of the 2023/2024 financial year end, though this has yet to be finalised. If a frequency for writing off debt and a process for identifying bad debt is not documented, there is a risk that the Force could hold onto debt that it is unlikely to be recovered and, in turn, could result in potentially inaccurate financial projections.			
Management Action 10	The Force will ensure a frequency for writing off bad debt is documented and supported by a process for identifying and approving debt which is also documented. As part of the write off exercise, consideration should be made to those debts older than 365 days that were identified as part of our review of the debtors outstanding report.	**Responsible Owner:** Accounts Payable Manager	**Date:** 31 July 2024	**Priority:** Low

Area: Reconciliations				
Control	Accounts receivable control account reconciliations are undertaken on a monthly basis by an Accounting Technician within the Finance Team. Any discrepancies or variances are investigated and resolved with supporting evidence attached to the file. The reconciliation is reviewed by the Accounts Payable Manager to confirm it has been completed and is accurate.		**Assessment:** **Design** ✓ **Compliance** ×	
Findings / Implications	We confirmed reconciliations have been completed for the last three months (October, November and December 2023) and a reconciliation report was on file. Supporting evidence for each of the reconciliations is contained within the same folder and we have verified details within these documents matches the reconciliation itself. All three reconciliations were completed on the first working day of the following month (either the first or second day of the month) and had been signed by the member of Accounts (in all cases this was the Assistant Accounting Technician) that had completed it. We verified that each of the three reconciliations had been reviewed by the Accounts Payable Manager though this ranged from the same day as the reconciliation (for the November reconciliation), to six days later (for the October reconciliation). The October 2023 reconciliation was completed on the 1 November but not reviewed until 7 November, six days later). Likewise, the December reconciliation was completed on 2 January 2024 but not reviewed until 5 January 2024, three days later. The Senior Finance Manager noted that whilst reconciliations should be reviewed and approved as early as possible, given the current resources this is not always possible. As such, we have agreed a suggestion to ensure reconciliations are reviewed on either the same day or the following working day once complete. Reconciliations should be reviewed on either the same day or the next day, as there is a risk that if they are not timely, errors, discrepancies or, in extreme cases, fraudulent activity, may not be identified in a timely manner. This could result in a financial loss or lost income to the Force.			
Suggestion	Once reconciliations are complete, they will be reviewed on either the same day or the next working day.	**Responsible Owner:** -	**Date:** -	**Priority:** Suggestion

Area: Reporting				
Control	**Missing control** No reporting is undertaken regarding debtor levels, aged debt or income and debt management. This includes reporting to the Chief Finance Officer, the Chief Officer Team, or any committees.		**Assessment:** **Design** **Compliance**	 × -
Findings / Implications	The Senior Finance Manager confirmed that the only reporting of debtor levels, income and debt management was part of the Force's year-end statutory accounts. Whilst budget monitoring reports are produced and provided to management, they do not contain data on debtors and aged debt. As such, responsibility for these areas is managed exclusively by the Accounts Payable Manager, managed by the Senior Finance Manager. As part of this process, the Senior Finance Manager confirmed they have a one to one meeting with the Accounts Payable Manager every two weeks in which debt levels or aged debt would be discussed. However, no formal reports are produced and discussed as part of these meetings. Furthermore, during review of the DRM Manual, we could not locate any requirements for reporting on debtor levels, aged debt or income and debt management. The Senior Finance Manager confirmed that whilst no reporting is undertaken (other than annual statutory accounts), this is not seen as an issue and the Finance Team and Chief Officer Team are happy with current arrangements. However, a review of these arrangements would be beneficial to determine whether there are any improvements that could be made to the accounts receivable process through additional reporting. If reporting arrangements are not reviewed, there is a risk that key information (such as debtor levels or levels of bad debt) may not be known to management and could result in income not being fully received.			
Management Action 11	The Force will review current reporting arrangements for debtor levels, aged debt and income and debt management to determine whether this is appropriate. This will include discussions with the Chief Officer Team to determine whether further reporting is needed.	**Responsible Owner:** Senior Finance Manager	**Date:** 31 July 2024	**Priority:** Low

APPENDIX A: CATEGORISATION OF FINDINGS

Categorisation of internal audit findings	
Priority	**Definition**
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Area	Control design not effective*	Non Compliance with controls*	Agreed actions			
			Low	Medium	High	Suggestion
Accounts Receivable	4 (12)	7** (12)	6	5	0	1
Total			**6**	**5**	**0**	**1**

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

**More than one action raised to address and area of noncompliance

Debrief held	15 February 2024	**Internal audit contacts**	Dan Harris, Partner and Head of Internal Audit Phil Church, Associate Director Hollie Adams, Assistant Manager Oliver Gascoigne, Senior Auditor
Additional evidence received	28 February 2024		
Draft report issued	5 March 2024		
Responses received	19 March 2024		
Final report issued	19 March 2024	**Client sponsor**	Chief Finance Officer (Chief Constable) Chief Finance Officer (PFCC)
		Distribution	Chief Finance Officer (Chief Constable) Chief Finance Officer (PFCC)

We are committed to delivering an excellent client experience every time we work with you. If you have any comments or suggestions on the quality of our service and would be happy to complete a short feedback questionnaire, please contact your RSM client manager or email admin.south.rm@rsmuk.com